



A-level BUSINESS 7138/2

Paper 2 Business 2

Mark scheme

Sample assessment materials

Version: 1.0

Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the learners' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of learners' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of learners' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

No learner should be disadvantaged on the basis of their gender identity and/or how they refer to the gender identity of others in their exam responses.

A consistent use of 'they/them' as a singular and pronouns beyond 'she/her' or 'he/him' will be credited in exam responses in line with existing mark scheme criteria.

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Where appropriate, real company data will be provided. However, in some instances, data may be fabricated solely for illustrative purposes (question 01.5 and question 02.4). Any such fabricated data is not affiliated with, nor does it represent, any actual business or organisation.

Levels of response marking instructions

Levels of response mark schemes are broken down into levels, each of which has a descriptor. The descriptor for the level shows performance at the top of the level. There are marks in each level.

Before you apply the mark scheme to a learner's answer, read through the answer and annotate it (as instructed) to show the qualities that are being looked for. You can then apply the mark scheme.

Step 1 Determine a level

Begin at the lowest level and work upwards, comparing the learner's response to each descriptor until you find the best match. The descriptor for the level indicates the different qualities that might be seen in the learner's answer for that level. If it meets the lowest level, then go to the next one and decide if it meets this level, and so on, until you have a match between the level descriptor and the answer. With practice and familiarity, you will find that for better answers you will be able to quickly skip through the lower levels of the mark scheme.

When assigning a level, you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the learner has not performed quite as well as the rest. If the answer covers different aspects of different levels of the mark scheme, you should use a 'best-fit' approach for defining the level and then use the variability of the response to help decide the mark within the level. For example, if a response mostly fits Level 3 but starts to extend into the features of Level 4 without meeting the Level 4 descriptors entirely, place it in Level 4, but award a lower mark within that level to reflect the limited extent of Level 4 content.

Step 2 Determine a mark

Once you have assigned a level, you need to decide on the mark.

Answers placed at the top of the level will securely address the descriptors; answers at the lower end of the level will securely address the descriptors below and begin to show the qualities of the level into which the examiner is placing them. Careful judgements need to be made about marks in the middle of the range; here it is likely that the key descriptors will be more intermittent but still clearly evident.

There will be occasions when an answer addresses descriptors in different levels; in such cases, the best-fit model applies. Here examiners will need to exercise a different kind of judgement, looking to see where the answer can be most fairly and appropriately placed in terms of its quality against the descriptors.

Use the full range of marks available. Avoid clustering scripts in the middle of the level unless justified by the quality of the response. Top-level marks are attainable if learners could not be expected to do more in the time and under the conditions in which they are working.

Examiners should avoid making early snap judgements before the whole answer has been read. Some learners begin tentatively but go on to make relevant points.

Examiners should mark positively. Although the mark scheme provides some indicators for what learners are likely to write about, examiners should be willing to reward what is actually there – provided, of course, that it is relevant to the question being asked.

Examiners should remember that length and quality are not synonymous. Some brief answers may be relevant and concise. Equally, long answers may be diffuse and repetitive. If answers are short or

incomplete, examiners can only reward what is there and assess accordingly. Some further credit may be given to answers finished in note form.

Examiners should remember that there are not always right answers. Learners' views which are relevant, well-argued and supported by appropriate evidence must receive credit whether the examiner agrees with the views or not. It is important to try to remain flexible if a learner introduces unusual or unorthodox ideas.

An answer which contains nothing of relevance to the question must be awarded no marks.

Indicative content

Indicative content is provided in the mark scheme as a guide for examiners. It is not intended to be exhaustive, and you must credit other valid points. It is important to note that learners do not have to cover all of the points mentioned in the indicative content to reach the highest level of the mark scheme.

Assessment objectives indicators have been included within the indicative content to clarify where assessment objectives are met. These are not indicators of where individual marks should be awarded. Marks should be awarded holistically by a best fit approach to the levels of response grids

Assessment objectives (AOs)

There are four AOs:

AO1: Demonstrate knowledge of terms, concepts, theories, methods and models to show an understanding of how individuals and organisations are affected by and respond to business issues

Knowledge: a learner demonstrates knowledge of a relevant factor or concept, for example, risk taking is an entrepreneurial concept

Understanding: a learner uses this knowledge to show understanding of how this knowledge is relevant to the question, for example, risk taking can lead to someone identifying a potential new business opportunity and trying it out which can create a new market; this is relevant understanding for a question which asks about entrepreneurial characteristics and business success

AO2: Apply knowledge and understanding to various business contexts to show how individuals and organisations are affected by and respond to issues

Application occurs when a learner makes use of the context provided in the case study or question. Basic application identifies relevant factors in the context and attempts to relate this to the analysis; for example, selecting relevant numbers for a calculation. Better application makes use of the context to support the analysis in the answer. Better application may combine contextual factors in an item, undertake a calculation with data provided or relate the analysis throughout to the business context.

Note: simply repeating elements from the case study is not creditworthy.

AO3: Analyse issues within business, showing an understanding of the impact on individuals and organisations of external and internal influences

Analysis occurs when there is a chain of reasoning. Basic analysis will have perhaps just one step in the chain or will be missing steps in the chain of reasoning. For example:

- if the demands of a question are that the impact of a particular action is analysed in relation to profit and the answer provides a chain of reasoning which ends with sales, this chain of reasoning is still missing a step to get to profit
- if a question asks for an analysis of lean production in relation to profit, for example, and the answer jumps from lean production to lower costs to profit but does not explain how lean production reduces costs then there is a step in the chain of reasoning which is missing.

Stronger analysis has logical, relevant chains of reasoning which have an appropriate start and end point and are clearly relevant to the question rather than generic. For example, if the question relates to an entrepreneurial characteristic and business success the highest level of analysis will link the two with logical steps.

AO4: Evaluate quantitative and qualitative information to make informed judgements and propose evidence-based solutions to business issues

Evaluation relates to judgements made or solutions proposed. Judgements may be made on a particular argument in an answer as well as in an overarching judgement of the arguments made. Weak judgement has few links to the application and analysis in the answer. Better evaluation may make a judgement of an issue and/or of the question but be unbalanced, for example, ignore the counter arguments made. The strongest evaluation weighs up the arguments made effectively and convincingly answers the question set. The response is coherent because it builds logically on the arguments. Evaluation which is simply an assertion or a statement with no support is not creditworthy. Evaluation may include challenging the data presented.

Quantitative skills

Papers 1 and 2 will include two quantitative questions, assessed through either 9-mark or 15-mark formats (e.g. two 9-mark, two 15-mark, or one of each). Each question will carry 6 marks for quantitative skills, totalling 12 marks per paper. Paper 3 will feature a single quantitative question, worth either 9 or 15 marks, including 6 marks for quantitative skills. Learners are expected to perform calculations and apply the results in their analysis and evaluation. Quantitative skills will be assessed across all assessment objectives (AO1–AO4):

- knowing what the formula is and which numbers to select is rewarded as knowledge and understanding (AO1) (2 marks)
- undertaking the calculation is rewarded as application (AO2) (2 marks)
- interpreting and using the results in an argument is rewarded as analysis (AO3) (1 mark)
- using the findings to support a judgement is evaluation (AO4) (1 mark).

Own Figure Rule

When asked to undertake calculations, the Own Figure Rule will always apply. Learners will receive credit for correctly interpreting their own calculated result, even if the calculation itself is incorrect; this could be in the analysis and in the evaluation. The overall mark will be lower than a learner who undertook the calculation and interpreted it correctly but there is positive marking to reward the correct interpretation of an incorrect result.

Question types

When marking a particular question, the distribution of AOs for that question is shown above the levels of response grid. It is important that you consider the weighting of AOs for each question.

There are three different question types:

6-mark questions

These questions will always have the command word 'Analyse'.

A 6-mark question has the following distribution of AOs: AO1 = 2 marks, AO2 = 2 marks, AO3 = 2 marks.

For example:

- a response that demonstrates only knowledge and understanding (AO1) can only receive a maximum of 2 marks.
- a response that demonstrates good knowledge and understanding (AO1) and good analysis (AO3) but has no application of knowledge to the context (AO2) can gain a maximum of 4 marks.

6-mark levels of response grid

AO1=2, AO2=2, AO3=2

Level	The learner will typically demonstrate	Marks
2	A good response overall which focuses on the demands of the question. A response in this level is likely to demonstrate: • knowledge and relevant understanding of the factor which is the basis of the question (AO1) • the effective application of knowledge and understanding to the context throughout the answer (AO2) • analysis which shows an accurate and relevant chain of reasoning, effectively linking the two key elements of the question (AO3) <i>The key to achieving this level rather than Level 1 is likely to be greater application to the context and the analysis of relevant factors.</i>	4–6
1	A limited response overall with little focus on the demands of the question. A response in this level is likely to demonstrate: • knowledge and relevant understanding of the factor which is the basis of the question (AO1) • an attempt to apply knowledge to the context (AO2) • a lack of relevant analysis (AO3)	1–3
0	Nothing creditworthy in the response	0

Distribution of AOs in 6-mark questions

Level	AO1	AO2	AO3	AO4
2	2	2	2	0
1	2	1	0	0

9-mark questions

9-mark questions will always have the command word 'Assess'.

A 9-mark question has the following distribution of AOs: AO1 = 2 marks, AO2 = 2 marks, AO3 = 2 marks, AO4 = 3 marks.

For example:

- a response that demonstrates only knowledge and understanding (AO1) can only receive a maximum of 2 marks
- a response that lacks any evaluation (AO4) could be awarded a maximum of 6 marks
- a response that has knowledge and understanding (AO1) and analysis (AO3) but no use of context or judgement (AO2; AO4) can be awarded a maximum of 4 marks.

The 9-mark questions require learners to weigh up the case for and against a given issue. For example, whether to spend more on X, whether to launch a product or whether to raise the price. The question requires a decision on this particular issue; it does not require learners to consider other issues. To answer this question, learners need to demonstrate relevant knowledge and understanding, consider both sides of the issue, use the context in their analysis and reach an overall judgement for or against. You should consider how strong the response and judgement are for this particular business/situation and how logical and convincing the evaluation is given the arguments made.

There is no set structure that learners' answers must follow - for example, some learners may argue for/against and then reach a conclusion; some may evaluate individual arguments throughout; or some may start with a judgement and then support this with the rest of the answer. However, for the top level there must be a clear answer to the question set which has a weighing up of an argument and counter argument.

9-mark levels of response grid

AO1=2, AO2=2, AO3=2, AO4=3

Level	The learner will typically demonstrate	Marks
3	A good response overall that focuses on all the demands of the question. A response in this level is likely to demonstrate: • knowledge of relevant factors that is explained to show understanding (AO1) • good application of knowledge and understanding to the context (AO2) • logical, relevant chains of reasoning (AO3) • evaluation which effectively weighs up the arguments made and reaches a convincing and coherent judgement, and fully addresses the question (AO4)	7–9

	<i>The key to achieving this level compared to Level 2 will include the quality of the analysis and the overall judgement.</i>	
2	A reasonable response overall that focuses on some of the demands of the question. A response in this level is likely to demonstrate: • knowledge of relevant factors that is explained to show understanding (AO1) • good application of knowledge and understanding to the context (AO2) • basic, relevant chains of reasoning (AO3) • evaluation which has some support (AO4) <i>Compared to Level 1, a response at this level includes evidence of better application, some analysis and evaluation with some support, but may not weigh up the different arguments made.</i>	4–6
1	A limited response overall with little focus on the demands of the question. A response in this level is likely to demonstrate: • knowledge of relevant factors that is explained to show understanding (AO1) • some attempt to apply knowledge and understanding to the context (AO2) • a lack of relevant analysis (AO3) • evaluation based on assertion and without support (AO4)	1–3
0	No creditworthy content	0

Distribution of AOs in 9-mark questions

Level	AO1	AO2	AO3	AO4
3	2	2	2	3
2	2	2	1	1
1	2	1	0	0

9-mark questions with a quantitative focus

A 9-mark question with a quantitative focus will always feature the command word “Assess”. The question will indicate the required calculation. Learners will use this to analyse and evaluate.

There will be 6 marks available for quantitative skills. These are as follows:

- knowing what the formula is and which numbers to select is rewarded as knowledge and understanding (AO1) (2 marks)
- undertaking the calculation is rewarded as application (AO2) (2 marks)
- interpreting and using the results in an argument is rewarded as analysis (AO3) (1 mark)
- using the findings to support a judgement is evaluation (AO4) (1 mark).

There are an additional 3 marks available (AO3 = 1 mark, AO4 = 2 marks) for further qualitative analysis and evaluation in relation to the calculation.

9-mark levels of response grid for questions with a quantitative focus**AO1=2, AO2=2, AO3=2, AO4=3**

Level	The learner will typically demonstrate	Marks
3	A good response overall that focuses on all the demands of the question. A response in this level is likely to demonstrate: • good knowledge and understanding of the quantitative concept (AO1) • a correct calculation (AO2) • logical, relevant chains of reasoning including interpreting and using the calculation findings (AO3) • evaluation which effectively weighs up the arguments made and uses the calculation findings to reach a convincing and coherent judgement, and fully addresses the question (AO4) <i>The key to achieving this level compared to Level 2 will include the quality of the analysis and the overall judgement.</i>	7–9
2	A reasonable response overall that focuses on some of the demands of the question. A response in this level is likely to demonstrate: • good knowledge and understanding of the quantitative concept (AO1) • a correct calculation (AO2) • basic, relevant chains of reasoning which may be based on calculation findings (AO3) • evaluation which has some support and may be based on the calculation findings (AO4) <i>Compared to Level 1, a response at this level includes evidence of better application, some analysis and evaluation with some support but may not weigh up the different arguments made.</i>	4–6
1	A limited response overall with little focus on the demands of the question. A response in this level is likely to demonstrate: • good knowledge and understanding of the quantitative concept (AO1) • an attempt to undertake a calculation but may have inaccuracies (AO2) • a lack of relevant analysis (AO3) • evaluation based on assertion and without support (AO4)	1–3
0	No creditworthy content	0

Distribution of AOs in 9-mark questions with a quantitative focus

Level	AO1	AO2	AO3	AO4
3	2	2	2	3
2	2	2	1	1
1	2	1	0	0

Additional marking guidance

Level 3 responses will typically feature a correct calculation with effective analysis stemming from it. We would expect to see a comparison between the calculated figures and other information available in the extracts. Evaluation could consider the context of the business situation before making an appropriate, well-supported judgement. There may be consideration of the limitations of the data.

Level 2 responses may contain some incorrect calculation (own figure rule) but relevant chains of analysis stemming from them. Alternatively, the calculations may be accurate but with less developed analysis than that at Level 3. There may be some consideration of the other information in the extracts, but this will be more limited than Level 3. Judgements are likely to have some reference to the calculation.

Responses that feature a correct calculation, but no analysis or evaluation would be placed at the bottom of this level (4 marks).

Level 1 responses might have an incorrect calculation with no relevant analysis stemming from this. We are likely to see answers that only display knowledge, understanding and application in response to the demand of the question. There may be some very basic consideration of the business' situation without the use of quantitative methods, displaying some limited knowledge/understanding. Any judgement will be based on assertions and will not be derived from numerical analysis or the context of the business (no relevant evaluation).

15-mark extended response questions

A 15-mark extended response question will either ask a learner to select and evaluate two possible courses of action and then provide a judgement as to which is the better course of action or evaluate two courses of action which have been given to them. In either case, the command word will always be 'Evaluate.'

A 15-mark extended response question has the following distribution of AOs: AO1 = 3 marks, AO2 = 3 marks, AO3 = 4 marks, AO4 = 5 marks.

For example:

- an answer that demonstrates only knowledge and understanding can only receive a maximum 3 marks
- an answer that lacks any evaluation can be awarded a maximum of 10 marks
- an answer that has knowledge and understanding (AO1) and analysis (AO3), but no use of context or evaluation can be awarded a maximum of 7 marks.

15-mark levels of response grid**AO1=3, AO2=3, AO3=4, AO4=5**

Level	The learner will typically demonstrate	Marks
5	An excellent response overall that is fully focused on the demands of the question. A response in this level is likely to demonstrate: - knowledge of relevant factors which is explained to show understanding that is precise and well-selected (AO1) - application of knowledge and understanding to the context throughout the answer (AO2) - well-developed, logical chains of reasoning of both options which, where appropriate, make use of sophisticated concepts (AO3) - evaluation is well supported and weighs up both options, provides a coherent overarching judgement and fully addresses the question set (AO4) <i>The key to this level, compared to Level 4, is the quality of the analysis and evaluation including the overall judgement.</i>	13–15
4	A good response overall that focuses on many of the demands of the question. A response in this level is likely to demonstrate: - knowledge of relevant factors which is explained to show understanding that is precise and well-selected (AO1) - application of knowledge and understanding to the context throughout the answer (AO2) - logical, developed, relevant chains of reasoning for both options (AO3) - evaluation which is supported, has some balance of the arguments and has a focus on the question (AO4) <i>Compared to Level 3, this level is likely to have application throughout, analysis of both options and better supported judgements.</i>	10–12
3	A reasonable response overall that focuses on some demands of the question. A response in this level is likely to demonstrate: - knowledge of relevant factors which is explained to show understanding that is precise and well-selected (AO1) - application of knowledge and understanding to the context (AO2) - some logical, developed, relevant chains of reasoning (AO3) - evaluation which has some support but may lack balance of arguments and is not fully focused on the question (AO4). <i>Compared to Level 2, a response at this level is likely to include stronger understanding, analysis and evaluation.</i>	7–9

Level	The learner will typically demonstrate	Marks
2	A limited response overall with little focus on the demands of the question. A response in this level is likely to demonstrate: - knowledge of relevant factors with understanding (AO1) - application of knowledge and understanding to the context (AO2) - some basic, relevant chains of reasoning (AO3) - evaluation with limited support (AO4) <i>Compared to Level 1, features of a response at this level are likely to include better application, some basic analysis and evaluation.</i>	4–6
1	A weak response overall lacking focus on the demands of the question. A response in this level is likely to demonstrate: - knowledge of relevant factors with understanding (AO1) - basic application of knowledge and understanding to the context (AO2) - a lack of relevant analysis (AO3) - evaluation based on assertion and without support (AO4)	1–3
0	Nothing creditworthy in the response	0

Distribution of AOs in 15-mark questions

Level	AO1	AO2	AO3	AO4
5	3	3	4	5
4	3	3	3	3
3	3	2	2	2
2	2	2	1	1
1	2	1	0	0

Additional marking guidance

You should consider how relevant the options chosen are given the context, how strong the arguments made are and how clear, convincing and coherent the evaluation is. Does the overall judgement fit with what was asked in the given situation? Does it fit with the arguments made? If the judgement does not address all the issues in the question or leaves out some of the issues it has raised (for example, the counter argument) this is unlikely to demonstrate the qualities of a top level of response.

Given the weighting of the AOs, you can see that a strong response to this type of question must have strong evaluation. There must be an overarching judgement to the question set and this must be supported by evaluation.

There is no set structure that answers must follow: for example, learners may evaluate each option before making an overall judgement; they may be clear from the start why one option is better than another in these circumstances; or they may weigh up their arguments at the end of the answer.

15-mark extended response questions with a quantitative focus

A 15-mark question with a quantitative focus will always feature the command word 'Evaluate'. The question will indicate the quantitative method to be used in the question. Learners will use this to analyse and evaluate a business's position.

A 15-mark extended response question has the following distribution of AOs: AO1 = 3 marks, AO2 = 3 marks, AO3 = 4 marks, AO4 = 5 marks.

There will be 6 marks available for quantitative skills. These are as follows:

- knowing what the equation is and which numbers to select is rewarded as knowledge and understanding (AO1) (2 marks)
- undertaking the calculation is rewarded as application (AO2) (2 marks)
- interpreting and using the results in an argument is rewarded as analysis (AO3) (1 mark)
- using the findings to support a judgement is evaluation (AO4) (1 mark).

There are an additional 9 marks available (AO1 = 1 mark, AO2 = 1 mark, AO3 = 3 marks, AO4 = 4 marks) for further qualitative analysis and evaluation.

15-mark levels of response grid for questions with a quantitative focus

AO1=3, AO2=3, AO3=4, AO4=5

Level	The learner will typically demonstrate	Marks
5	An excellent response overall that is fully focused on the demands of the question. A response in this level is likely to demonstrate: • knowledge of the quantitative concepts and relevant factors which is explained to show understanding that is precise and well-selected (AO1) • application of knowledge and understanding to the context throughout the answer, including a correct calculation (AO2) • well-developed, logical chains of reasoning for both options which include interpreting and using the calculation findings and, where appropriate, makes use of sophisticated concepts (AO3) • Evaluation is well supported, weighs up both options, and provides a coherent overarching judgement using the calculation findings and fully addresses the question set (AO4) <i>The key to this level, compared to Level 4, is the quality of the analysis and evaluation including the overall judgement.</i>	13–15
4	A good response overall that focuses on many of the demands of the question. A response in this level is likely to demonstrate: • knowledge of the quantitative concepts and relevant factors which is explained to show understanding that is precise and well-selected (AO1) • application of knowledge and understanding to the context throughout the answer, including a correct calculation (AO2)	10–12

Level	The learner will typically demonstrate	Marks
	- logical, developed, relevant chains of reasoning for both options which include interpreting and using the calculation findings (AO3) - evaluation which is supported, has some balance of the arguments, may use the calculation findings to support a judgement and has a focus on the question (AO4) <i>Compared to Level 3, this level is likely to have application throughout, analysis of both options and better supported judgements.</i>	
3	A reasonable response overall that focuses on some demands of the question. A response in this level is likely to demonstrate: - knowledge of the quantitative concepts and relevant factors which is explained to show understanding that is precise and well-selected (AO1) - application of knowledge and understanding to the context which may include a correct calculation (AO2) - some logical, developed, relevant chains of reasoning, which may include interpreting and using the calculation findings (AO3) - evaluation which has some support and may use the calculation findings but may lack balance of arguments and is not fully focused on the question (AO4). <i>Compared to Level 2, a response at this level is likely to include stronger understanding, analysis and evaluation.</i>	7–9
2	A limited response overall with little focus on the demands of the question. A response in this level is likely to demonstrate: - knowledge and understanding of relevant factors which may include the quantitative concept (AO1) - application of knowledge and understanding to the context, which may include a correct calculation (AO2) - some basic, relevant chains of reasoning which may include interpreting and using the calculation findings (AO3) - evaluation with limited support (AO4) <i>Compared to Level 1, features of a response at this level are likely to include better application, some basic analysis and evaluation.</i>	4–6
1	A weak response overall lacking focus on the demands of the question. A response in this level is likely to demonstrate: - knowledge and understanding of relevant factors, which may include the quantitative concept (AO1) - basic application of knowledge and understanding to the context, which may include an attempt at a calculation (AO2) - a lack of relevant analysis (AO3) - evaluation based on assertion and without support (AO4)	1–3

Level	The learner will typically demonstrate	Marks
0	Nothing creditworthy in the response	0

Distribution of AOs in 15-mark questions with a quantitative focus

Level	AO1	AO2	AO3	AO4
5	3	3	4	5
4	3	3	3	3
3	3	2	2	2
2	2	2	1	1
1	2	1	0	0

Additional marking guidance

Level 5 responses will feature correct calculations with effective analysis stemming from them. However, in Level 5, evaluation will consider the context of the business situation before making an appropriate, well-supported recommendation.

In addition to the quantitative skills, we would expect a Level 5 response to analyse the other information available and use this analysis to support a recommendation. Evaluation is likely to consider the highest priority to the business given the context, for example, short-term, long-term returns.

Level 4 responses will feature correct calculations with effective analysis stemming from them. Analysis may be slightly less developed than Level 5. A recommendation will be made weighing up the two options but will perhaps not fully consider the circumstances of the business.

We would expect a Level 4 response to analyse the other information effectively but perhaps not fully utilise this to support the final recommendation. Responses are likely to show judgement which takes an overview of the two options and weighs them up effectively but without the clear focus on the business' priorities seen at Level 5.

Responses that do not make use of the calculations cannot be awarded above 9 marks (low Level 4). This is an explicit demand of the question.

Level 3 responses may have some incorrect calculations (own figure rule) but relevant chains of analysis stemming from them. Alternatively, the calculations may be accurate but with less developed analysis than that at Level 4. Judgements are likely to have some reference to these calculations.

We might expect some analysis of the other information available, however there may be some imbalance between the options. The judgement is likely to have some justification but may not weigh up the analysed factors effectively. There will be some focus on the business' priorities.

Level 2 responses will have attempted a calculation and at least partial knowledge/understanding will have been displayed (for example, relevant formula, correct figures identified). There may be some attempts to analyse these figures but are unlikely to be analysed in significant detail.

Answers which execute the calculation correctly but have no relevant analysis or evaluation stemming from them should be placed at the bottom of Level 2.

Other information is likely to be analysed to support the recommendation but there are likely to be incomplete chains of reasoning making it less effective at supporting the recommendation. The context of the business is likely to have lower consideration in such answers (responses here could be generic in nature).

Level 1 responses may have an incorrect calculation with no relevant analysis stemming from this. We are likely to see responses that only display knowledge and application in response to the demand of the question. Any judgements will be based on assertions and will not be derived from numerical analysis or the context of the business (no relevant evaluation).

Learners may also demonstrate knowledge of the other information and concepts relevant to the questions. There is likely to be no effective analysis or evaluation stemming from this.

Typical features of higher-level responses for 9-mark and 15-mark questions

- High-level responses integrate application (AO2) and analysis (AO3) to form coherent arguments.
- Strong chains of reasoning are rooted in the context of the case study.
- In weaker responses, application and analysis are often disconnected or generic.
- In quantitative questions, strong application includes accurate calculations as required by the question.
- Top-level responses feature evaluative thinking throughout, not just at the conclusion.

Use of sophisticated concepts

Learners that make use of relevant theories, concepts, models and frameworks in their responses, that are not the direct focus of a question, are making use of sophisticated concepts. The appropriate use of these sophisticated concepts strengthens the quality of their analysis.

- Sophisticated concepts refer to relevant theories, models, or frameworks used appropriately, even if not directly required by the question.
- Their use strengthens analysis and demonstrates a deeper understanding of business issues.
- Examples include:
 - Ansoff Matrix for market penetration strategies.
 - Boston Matrix for portfolio analysis.
 - Break-even and margin of safety for cost-related decisions.
 - Kotter's barriers to change for organisational change.
 - Investment appraisal techniques (for example, ARR, NPV) for spending decisions.
- The key is relevance and accuracy—sophisticated concepts must be applied meaningfully to enhance the argument.

The use of sophisticated concepts is identified as a typical characteristic of a Level 5 response; it demonstrates a strong, sophisticated understanding of the subject. However, where the use of sophisticated concepts is demonstrated in any response, the impact on the quality of analysis will be recognised.

Challenging assumptions

As part of effective evaluation, high-level responses should critically assess the reliability and origins of the data used to support a chosen action or situation. This includes questioning the credibility of the data sources, considering whether alternative information might offer a more accurate or relevant perspective,

and evaluating the potential impact of changes in the external environment on the data over the short or long term. These considerations are not mutually exclusive, and any evaluation that thoughtfully challenges the assumptions underlying either quantitative or qualitative data should be credited.

Synopticity

Synopticity occurs when learners draw on knowledge from different parts of the specification. This is especially relevant in Paper 3, where strategic topics like SWOT can be linked to earlier functional areas. Synoptic responses show a holistic understanding of business and are often characteristic of top-level answers.

0 1 . **1** Analyse **one** way in which teamwork might improve SHEIN's financial performance.

[6 marks]

AO1 = 2, AO2 = 2, AO3 = 2

Demands of the question

- to demonstrate knowledge and understanding of how teamwork might improve financial performance (AO1)
- to apply this knowledge and understanding to the context of SHEIN (AO2)
- to analyse one way in which teamwork might improve SHEIN's financial performance (AO3).

Markers' guidance

For Level 2, there must be a clear, logical chain of argument from teamwork to the financial performance of SHEIN. This may focus on any aspect of financial performance, for example, profit or liquidity.

Indicative content

- A team is a group of employees that work together to perform specific tasks working towards a shared goal; this collaboration can help reduce costs and improve revenues thereby improving financial performance (AO1).
- With nearly 10 000 employees globally, effective teamwork can be critical for SHEIN in ensuring coordination between employees in different functions and countries (AO1, AO2). The success of SHEIN's lean production model is likely to depend on how effectively different teams communicate and can contribute to continuously improving productivity. This can, in turn, lead to improvements in profit margins and other measurements of financial performance through greater operating efficiencies (AO1, AO2, AO3).
- Effective teamwork may be appealing to workers, helping SHEIN to attract and retain the best staff, reducing costs in areas such as training and recruitment. Lower costs are important to SHEIN's model, which is evident as they operate a lean production system and aim to reduce waste wherever possible (AO1, AO2). Maslow's theory suggests that meeting social needs is important in motivating staff as this helps employees feel connected to one another (AO1). This means employees are more likely to be engaged and committed to the company's objectives. Teams that are structured to afford scope for input and recognition also activate even higher levels of Maslow's hierarchy, improving employee satisfaction and so meaning that employee turnover is reduced and the associated cost savings can improve profit levels. Greater motivation can help staff increase their effectiveness and high-performing staff may also differentiate the organisation, helping it to increase sales revenue, reduce unit costs and improve profit margins (AO3).
- Herzberg suggests that job enrichment can be a motivator and individuals working in teams often have increased task variety and scope for autonomy, improving job satisfaction and encouraging input from team members at all levels (AO1). This can lead to greater creativity and better problem solving due to the wider pool of ideas. This may allow SHEIN to achieve higher quality and so improve its brand appeal, leading to increased market share and facilitating its achievement of the aggressive revenue growth targets it has set itself and leading to better financial performance (AO2, AO3).

Credit all relevant knowledge, understanding, application and analysis.

0	1	.	2
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Analyse **one** way in which improving the environmental sustainability of its operations might affect SHEIN's management of its supply chain.

[6 marks]

AO1 = 2, AO2 = 2, AO3 = 2

Demands of the question

- to demonstrate knowledge and understanding of how environmental sustainability might affect SHEIN's supply chain management (AO1)
- to apply this knowledge and understanding to the context of SHEIN (AO2)
- to analyse one way in which improving the environmental sustainability of its operations might affect SHEIN's management of its supply chain (AO3).

Markers' guidance

A Level 2 response must show a clear link between environmental sustainability and how this affects SHEIN's management of its supply chain.

Indicative content

- Environmental sustainability in business refers to operating without negatively impacting the environment, for example, less wastage. How environmentally sustainable a price will be affected by the way in which the supply chain is managed (AO1).
- Supply chain management refers to the coordination of all the activities, organisations, and resources involved in moving a product from raw materials to the final customer. This will affect the environmental sustainability of a process (AO1).
- Reducing wastage within the supply chain is part of environmental sustainability (AO1). To achieve this, SHEIN will work with its current supplier network to reduce any waste in the supply chain, have better coordinated activities and reduce the wastage of materials at SHEIN itself. Efforts to improve environmental sustainability will therefore involve greater coordination of activities with suppliers to ensure the right quantities are ordered at the right time and used efficiently (AO2, AO3).
- Greater coordination can also reduce transportation of materials reducing the environmental impact of pollution (AO1). SHEIN's supply chain management can coordinate deliveries more efficiently to its warehouse and therefore improve the environmental sustainability of its operations by reducing the negative impact on the environment (AO2, AO3)
- SHEIN's publicised intention to tackle wastage and circularity at every stage means it will want to work with suppliers on the materials used and how to recycle materials; for example, there may be a returns policy that allows customers to return old clothes for a discount on new purchases and these clothes could be recycled and the materials re-used by suppliers (AO1, AO2). To improve environmental sustainability, SHEIN may therefore want to select and work with suppliers willing to partner in this more circular approach (AO2, AO3).

Credit all relevant knowledge, understanding, application and analysis.

0	1	.	3
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 Assess the impact of SHEIN using lean production on its market share.**[9 marks]****AO1 = 2, AO2 = 2, AO3 = 2, AO4 = 3****Demands of the question**

- to demonstrate knowledge and understanding of lean production and market share (AO1)
- to apply this knowledge and understanding to the context of SHEIN (AO2)
- to analyse the impact of lean production on the market share (AO3)
- to evaluate whether lean production will impact SHEIN's market share (AO4).

Markers' guidance

- A Level 3 response must weigh up arguments relating to the use of lean production and its impact on market share. For the top mark, there must be a clear sense of the impact on market share rather than just sales.
- A response may judge that the impact is high or low, positive or negative.

Indicative content

- Lean production involves a range of different techniques that all aim to reduce waste, for example, of time, of materials, of labour. By being more efficient, this may help a business offer better value for money and help increase the business' sales as a proportion of total sales, i.e. increase its market share (AO1).
- SHEIN competes in a low-price market which is very price sensitive. Its ability to keep costs low as a result of lean production enables low prices (AO1, AO2). This helps the business to compete against other businesses and gain sales at their expense increasing its market share (AO3).
- One lean production technique is Kaizen; this aims to drive small but continuous improvements in processes. This should cut costs by reducing waste; if less time is wasted, less labour is employed, fewer resources are used and so fewer items have to be re-worked (AO1). This then means SHEIN can price its products very competitively relative to rivals, and this can help it gain sales and market share (AO3).
- Lean production involves low levels of inventory and a just in time approach; this avoids the risks of being left with unsold items. This means the business should have lower costs in terms of holding inventory, lower costs in terms of security or theft of items in storage and lower costs incurred with having unsold items (AO1). This helps efficiency and price competitiveness which is important to SHEIN's low price model to protect profit margins (AO2). With lower unit costs, the business can offer lower prices and still generate an appropriate profit margin and gain market share (AO3).
- Lean production could support faster response times as it may allow SHEIN to streamline processes and cut stages from the production process including interactions with firms further up the supply chain. This means SHEIN may be able to respond more quickly to changing demand patterns in its fast-moving market, for example, by imitating popular designs created by rivals or improving the computer modelling programmes that predict demand (AO1, AO2). This agility may allow it to bring new styles to market more quickly, which could be vital in this market and help SHEIN gain a bigger proportion of sales in the market (AO3).
- Lean production also brings problems. By holding only a very low level of inventory, SHEIN may not be able to respond immediately to a surge in demand, for example, due to changes in fashion (AO1, AO2). It will be very reliant on suppliers and employees because there are no 'spare items'. This means there may be times when it has run out of items and customers may switch elsewhere reducing SHEIN's competitiveness and market share (AO3).

Evaluation

- It will depend on whether SHEIN can respond quickly enough to demand (and that depends on its links with suppliers) to remain competitive. SHEIN seems to work well with and invest in its suppliers which may make the value of lean production greater. This may reduce the risk of having problems with suppliers and not having items to sell (AO2, AO4).
- Lean production can create problems if employees are not 'on board' with this approach and do not cooperate or withdraw their labour, because again there are no items to sell. However, SHEIN seems to value employees (or at least says it does) which may reduce this risk and again increase the value of lean to the business (AO2, AO4).
- SHEIN already uses computer modelling to try to match supply to demand and, if it can harness the latest digital technologies to bring together aspects of digital marketing through its website, with its lean production model, it may be able to gain competitive advantage. However, other rivals are likely to be investing heavily in similar process improvements and so a relentless, ongoing focus on continuous improvement is likely to be required to maintain any advantage gained and increase market share (AO2, AO4).
- The value of these benefits depends on how well lean production is implemented relative to other producers; it only improves market share if done better than others. SHEIN's rivals will also be aiming to be as lean as possible and so the benefits to SHEIN always need to be considered relative to other firms (AO4).
- Lean production can lead to greater market share if implemented more effectively than rivals; however, there are potential problems which can reduce the appeal of the offering and lead to customers switching elsewhere. Regardless of whether lean production can give SHEIN a competitive advantage, it may well be important to continue using it, as ceasing to do so would likely worsen its competitive position (AO4).

Credit all relevant knowledge, understanding, application, analysis and evaluation.

0	1	.	4
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 Assess how SHEIN's approach to quality might affect its profitability.
[9 marks]**AO1 = 2, AO2 = 2, AO3 = 2, AO4 = 3****Demands of the question**

- to demonstrate knowledge and understanding of quality and its impact on profitability (AO1)
- to apply this knowledge and understanding to the context of SHEIN (AO2)
- to analyse the impact of SHEIN's approach to quality on its profitability (AO3)
- to evaluate whether SHEIN's approach to quality might affect its profitability (AO4).

Markers' guidance

- To achieve Level 3, the response must clearly focus on profitability (for example, return on capital employed or profit margins) rather than profits.
- Arguments suggesting profitability may be higher, lower or unchanged can all be accepted if supported.

Indicative content

- Quality refers to the extent to which items are fit for purpose. Better quality can lead to fewer mistakes thereby reducing costs and may justify a higher price and can lead to more sales and higher profitability. Profitability is a measure of profit as a return in relation to, say revenue or capital employed (AO1).
- At SHEIN, quality control checks at the warehouse can mean that faulty items are not stored and distributed (AO1, AO2). This can reduce costs of returns and distribution which should improve operating profit margin. This can also improve customer satisfaction which might increase revenues and profitability if it leads to more repeat business (AO3).
- When employees are encouraged to see colleagues as internal customers as part of a quality approach, it may ensure that they take ownership of their role in delivering quality in their aspect of the production process (AO1, AO2). This level of ownership could satisfy employee desires for responsibility, achievement and recognition – all motivators according to Herzberg's two-factor theory – boosting motivation and productivity. Therefore, unit costs may fall which will have a positive impact on profitability (AO3).
- Better quality is an important part of the product component of the marketing mix and so can improve brand appeal and loyalty, meaning those aspects could potentially be stressed within the promotional mix (AO1). This can increase sales and market share and again help with profitability as economies of scale can be experienced, driving down unit costs and so increasing margins (AO3).
- Strict quality standards for durability factors may not be appropriate given the fast fashion nature of the company's products (AO1, AO2). If SHEIN does aim for more durability from its clothes then higher quality materials are likely to be required; this could lead to higher variable costs, reducing gross profit margins. High quality standards may therefore increase the price point at which clothes are sold, which may not appeal to the fast fashion market and so may reduce sales volumes and reduce economies of scale and lead to lower profits (AO2, AO3).
- There will be costs involved in setting and implementing quality standards, training staff and in reworking items, sending them back etc. All these additional costs may reduce profitability (AO1, AO3).

Evaluation

- A focus on improving quality may play an important part in cutting costs and improving both the employee and the customer experience, which can contribute to lower unit costs and higher sales and so improve profitability. However, while certain aspects of cost measurement may be easy to quantify, the impact of more subjective potential benefits such as those which could lead to increased revenues is difficult to gauge (AO4).

- It depends on the costs of quality relative to the benefits it generates. Presumably SHEIN will attempt to assess the relative costs and benefits itself and is only likely to continue with this approach if profitability increases (AO4).
- It depends on whether the quality of SHEIN's products ends up better than its competitors. This will determine the impact in competitiveness and profitability (AO4).

Credit all relevant knowledge, understanding, application, analysis and evaluation.

0 1 . 5 If SHEIN is seeking to launch a new range of clothing in 2026, it might consider two new suppliers: Xpress and Reliont.

Evaluate **both** suppliers and recommend which **one** would be the better choice to produce the new range for SHEIN.

Calculate Xpress' expected capacity utilisation to support your answer.

[15 marks]

AO1 = 3, AO2 = 3, AO3 = 4, AO4 = 5

Demands of the question

- to demonstrate knowledge and understanding of factors influencing the choice of suppliers (AO1)
- to apply this knowledge and understanding to the context of SHEIN (AO2)
- to analyse the factors influencing SHEIN's choice of supplier (AO3)
- to evaluate which is the most appropriate supplier to produce SHEIN's new range (AO4).

Markers' guidance

- A Level 5 response should include a calculation of Xpress' capacity utilisation and include this in a supported judgement of which supplier to choose.
- A response may choose Xpress or Reliont. A decision may be qualified (for example, 'it depends on').

Calculation

Output at Xpress with SHEIN's order would be 12 million + 2.4 million = 14.4 million units

Capacity utilisation = (output/maximum output) x 100 = (14.4 million/15 million) x 100 = 96%

Indicative content

- The choice of supplier for a new range can be based on a range of factors such as speed of delivery, payment terms, environmental factors and supplier/customer relationships. Note: This is not an exhaustive list; allow other relevant factors (AO1).
- Xpress has shorter lead time which fits with the fast fashion model and should enable SHEIN to respond more quickly to customer demand (AO1, AO2). This could help it be more competitive and boost sales in a fast-changing industry, where getting products to market quickly can be a source of competitive advantage (AO3). This may be a particularly relevant consideration in this market where speed can be a key differentiating factor (AO4). Xpress is also based in China, which is where SHEIN's main warehouse facility is; this could reduce the complexity of establishing and operating this new part of the supply chain (AO1, AO2). It would also significantly improve the sustainability of this choice as reduced transport costs and emissions would be entailed. This could satisfy multiple measures within a more sustainable approach (AO3).
- Xpress's CO₂ emissions are significantly lower 50 000kg v 65 000kg. Given SHEIN's commitment to cut its total CO₂ emissions when those of the industry are predicted to rise by 45% by 2030 (AO1, AO2), this may be an important factor indicating that both companies' objectives are well-aligned. If SHEIN wants to live up to its stated values in relation to tackling waste and circularity at every stage, it may feel that Xpress may offer a better option that balances the needs of customers, planet and profitability (AO2, AO3).
- As a much smaller producer, Xpress may struggle to meet demand if SHEIN finds that items from the new range sell well and they wish to quickly increase production levels (AO1, AO2). The capacity utilisation is 96% (OFR) with the current order which does not give much capacity if demand increases. It also means if there were any issues with equipment or production the lack of much excess capacity could make it difficult to fulfil orders. This could threaten sales of new items which are likely to be time-sensitive and issues with inventory may affect customers' overall perceptions of

the business. SHEIN also has ambitious growth plans and so may want to ensure that it works with supply-chain partners who are capable of matching its scale (AO2, AO3).

- Xpress has far more customers than Reliont. SHEIN may be concerned about how important its orders are relative to other customers. These other customers might be prioritised if the supplier has issues with capacity and needed to focus on only some of its customers (AO1, AO2). This may make SHEIN consider Reliont where it might have more buyer power (Porter's five forces – sophisticated concept) and push prices down, enabling lower prices for its customers which can be important in the highly competitive fast fashion market (AO2, AO3).
- Reliont has longer payment terms. This is better for SHEIN's cashflow as it holds on to money for longer (AO1, AO2). This, therefore, may be better for the liquidity of SHEIN (AO3). However, given SHEIN's scale this may not be a major consideration (AO4).
- Reliont has a much lower defective product rate (1.25% compared to 2.43%) (AO1, AO2). With quality being a key consideration for SHEIN, this consideration may be important in the decision-making process, particularly because of the use of lean production systems within the company and the importance of price competitiveness in this market (AO2, AO3).
- Given the much larger size of Reliont, it may find it much easier to supply the volumes of clothing that SHEIN require as this represents a much smaller proportion of their total output (AO1, AO2). It has more spare capacity and so could be better placed to deal with increased order sizes at short notice. A large organisation such as SHEIN may prefer to deal with a supplier that appears to be able to supply a greater volume and therefore proportion of SHEIN's production demands as this reduces the complexity of managing its supply chain and may allow it to access greater economies of scale (sophisticated concept) when placing orders (AO2, AO3).

Possible links to sophisticated concepts include:

- Porter's five forces in relation to SHEIN's power relative to the suppliers and the impact of this on price, quality and services.
- The scale of production for the bigger supplier may lead to economies of scale and lower unit costs which could get passed on in the form of lower prices.

Evaluation

- Many different factors will be considered when making decisions about the supply chain and SHEIN will need to decide which particular aspects it values most and weight those accordingly when drawing up its criteria for awarding the contract (AO4).
- SHEIN will clearly be interested in the data provided, however there are significant omissions in Appendix A. Crucially, no data is given about the prices either supplier would be willing to accept when undertaking any contract work, and this is going to have a critical role in decision-making given the importance of cost-competitiveness for a business that has an average selling price of just £7.90 per garment (AO2, AO4).
- Xpress appears to offer faster service and better quality and is closer to SHEIN's warehouse. These factors would be attractive and may make this a better option (AO4).
- Given that SHEIN supports suppliers with training and investment into advanced technology, all suppliers will be expected to drive down their defective product rates and therefore Reliont may lose its competitive edge in this respect (AO2, AO4).
- It may be difficult to justify choosing a supplier which appears to produce less sustainably when SHEIN is committed to reducing its footprint in this area and so Xpress may be the preferred choice (AO2, AO4).

Credit all relevant knowledge, understanding, application, analysis and evaluation.

0	2	.	1
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 Netflix is very innovative in its use of digital technology.

Analyse **one** action that Netflix can take to continue to be more innovative than its competitors.

[6 marks]

AO1 = 2, AO2 = 2, AO3 = 2

Demands of the question

- to demonstrate knowledge and understanding of innovation and how to protect it (AO1)
- to apply this knowledge and understanding to the context of Netflix (AO2)
- to analyse one action that Netflix could take to protect its innovation to keep ahead of its rivals (AO3).

Markers' guidance

A Level 2 response will analyse one way in which Netflix can continue to be more innovative than its competitors.

Indicative content

- Innovation is the process of creating new ideas, methods, products, or solutions that add value or improve upon what already exists. To protect innovation and continue to be more innovative than competitors a business might use patents or invest in research and development (AO1).
- Netflix could invest more than competitors in research and development and/or ensure it uses its funds effectively to develop and use digital technology effectively – for example further improving the user experience (AO1, AO2). With more funds, it may be able to attract and retain the best developers in the industry and try out more ideas and projects. Innovation can be expensive and full of errors so if significant funds are available, it can help sustain more innovation than others who may have smaller budgets (AO3).
- Netflix could protect its technology with patents to prevent others from copying and so generate sustainable competitive advantage through product and process differentiation (AO1). A patent provides legal protection for a number of years, and this would keep control of a new technology, for example, linked to its digital technologies relating to streaming, although it would not stop other businesses developing their own technologies and might therefore not mean Netflix was more innovative than others. A patent limits imitation (assuming Netflix does show it is willing to protect the patent in court) but does not stop others developing their own approaches (AO2, AO3).

Credit all relevant knowledge, understanding, application and analysis.

0	2	.	2
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 Analyse **one** way in which greater diversity in its workforce might affect the quality of the content of the shows Netflix produces.**[6 marks]****AO1 = 2, AO2 = 2, AO3 = 2****Demands of the question**

- to demonstrate knowledge and understanding of greater diversity in the workforce (AO1)
- to apply this knowledge and understanding to the context of the content of the shows Netflix produces (AO2)
- to analyse one way in which greater diversity might affect the quality of the content of the shows that Netflix produces (AO3).

Markers' guidance

A Level 2 response must clearly link greater diversity to the quality of content. Arguments for improving or worsening content are accepted if there is a logical chain of reasoning.

Indicative content

- Diversity occurs when there are differences among individuals in a workforce such as race, ethnicity, gender, age, religion, disability, sexual orientation, education, socioeconomic background and cultural perspectives. This can lead to different perspectives in many decisions and a better understanding of these perspectives. This can improve the quality of the output of a business (AO1).
- Netflix is recruiting from the widest possible talent pool; this should ensure it attracts and retains the best people. In a creative industry such as content creation, the greatest range of talents bringing innovative ideas that can then be discussed between the widest variety of colleagues in a collaborative fashion should ensure the highest possible quality of content for its shows can be developed (AO2, AO3).
- Operating in 190+ countries and 30 languages means that Netflix has considerable scope to adapt its marketing mix by creating specific products (i.e. shows) for different markets. If its workforce is as diverse as possible, it has the best possible chance of creating content that will appeal to the specific desires of certain sub-markets and support opportunities to meet local needs (AO2, AO3).
- The Netflix aims for diversity, and this is likely to make diverse individuals feel valued, activating a sense of belonging and so providing a powerful motivator according to Maslow. A highly motivated workforce can support the generation of high quality, innovative output (AO2, AO3).

Credit all relevant knowledge, understanding, application and analysis.

0	2	.	3
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Assess how important the culture of Netflix is likely to be in determining its competitiveness.

[9 marks]**AO1 = 2, AO2 = 2, AO3 = 2, AO4 = 3****Demands of the question**

- to demonstrate knowledge and understanding of culture and its impact on competitiveness (AO1)
- to apply this knowledge and understanding to the context of Netflix (AO2)
- to analyse the importance of culture in determining competitiveness (AO3)
- to evaluate the importance of culture on Netflix's competitiveness (AO4).

Markers' guidance

- A Level 3 response must weigh up the arguments relating to culture and competitiveness. To achieve the highest mark there must be a clear focus on the importance of culture in terms of what Netflix offers relative to competitors.
- A response may judge that the impact is high or low. The overall judgement may be qualified.

Indicative content

- Culture refers to the values, attitudes and beliefs of employees in an organisation. Competitiveness refers to the relative benefits of a business compared to rivals. Culture can shape the way people behave and what they do and prioritise; this impact on decisions and attitudes and so can influence competitiveness (AO1).
- The culture at Netflix encourages individuals to make decisions; this can lead to faster decision making and mean that Netflix responds more quickly to any challenges or seizes opportunities more readily, making it more competitive because what it offers or how it offers it is ahead of the competition (AO1, AO2, AO3).
- The Netflix culture focuses on high performers; this means people need to do what they do well to stay or to be rewarded (AO1, AO2). Where employees understand exactly what the company requires of them, they can perform their roles to a high standard and where those expectations are of continuously high performance it should drive standards up. This means that Netflix's output and customer service should be competitive, i.e. better than rivals (AO3).
- At Netflix, teams are brought together to add specific inputs to completing a project. This can contribute to effective problem-solving and high levels of creativity which seem to fit well with Netflix's requirement for innovative programming and technical solutions to offer to customers (AO1, AO2) and so could support improved competitiveness by contributing to high quality and distinctive output (AO3).
- The highlighting of collaboration and creativity (and relatively low levels of remote working) give clear signals as to how employees are expected to behave. This can lead to teams working effectively because they share a common understanding at Netflix of how to move forward and run projects, which can improve team cohesion and lead to quicker task completion and better outcomes than if cultural symbols were weaker and teams took longer to become a real team with a compelling direction (Hackman's model of team effectiveness) (AO1, AO2). This can aid competitiveness as content may be higher quality or perhaps carry more of a distinctive Netflix brand that viewers may come to recognise and value (AO2, AO3).
- Netflix appears to have features of a strong culture, and this can create resistance to change (AO1, AO2). This can make it very difficult for employees to accept change and so if market conditions or demands of the roles alter dramatically, for example, when new competitors enter the market or rivals introduce new service features, it may be difficult for Netflix to respond quickly and appropriately because its strong culture means it takes longer to respond to competitive threats (AO2, AO3).

- If culture becomes so entrenched that it discourages diverse perspectives from being heard, for example, if ‘the captain of the ship’ becomes too domineering and does not encourage full participation or becomes too authoritarian in decision-making processes, it can limit creativity. Netflix relies on this value as a key source of competitive advantage and so any reductions in creativity will have a dramatic impact on its competitiveness (AO2, AO3).

Evaluation

- Customers buy the product not the culture. The culture may lie behind the operations but ultimately the competitiveness comes from what people are watching and paying for, relative to other firms (AO2, AO4).
- Culture is difficult to imitate or copy and, in an industry where the main competitors are trying to establish distinctive identities that promote brand loyalty, the benefits that arise from having a well-understood and effective culture can provide a strong source of competitiveness (AO4).
- Whether competitiveness is positively (or even significantly) affected by Netflix’s culture may depend on how well that culture supports the necessary behaviours that develop competitive advantage. If the culture is too rigid and cannot adapt to changing requirements, lacks employee buy-in or is not well understood, it may have little impact or a negative one (AO4).

Credit all relevant knowledge, understanding, application, analysis and evaluation.

- 0 2** . **4** Recent strike action has delayed Activity C in the development of the new series by 6 months.

Assess how this delay might affect Netflix's revenue.

Calculate the possible impact of the delay on the critical path to support your answer.

[9 marks]

AO1 = 2, AO2 = 2, AO3 = 2, AO4 = 3

Demands of the question

- to demonstrate knowledge and understanding of critical path (AO1)
- to apply this knowledge and understanding to the context of Netflix (AO2)
- to analyse the impact a delay has on Netflix's revenue (AO3)
- to evaluate the impact on Netflix's revenue (AO4).

Markers' guidance

- A Level 3 response will include a calculation of the impact on revenue and assess the impact of this.
- For the top of the level, the judgement should include the calculation, but it may be qualified (for example, 'it depends on').

Calculation (AO1 and AO2)

As part of the demands for this question, learners are expected to make effective use of critical path analysis and perform a calculation of the expected impact on revenue.

These would come in the form of:

- The delay of 6 months means the new critical path would be ACEH.
- Calculating the duration of that critical path as 19 months (4 months + 9 + 4 + 2 = 19 months).
- This will delay the project's completion by 4 months (from 15 months to 19 months).

If this does occur, Netflix's expected revenue might be expected to fall by 45%.

If a learner inaccurately calculates the impact on the critical path, then this should be taken into account when marking their answer. Learners may still be awarded marks for carrying their error forward. However, it should not be possible for a learner to be awarded full marks if the calculations are not executed accurately.

Indicative content

- With the delay the critical path changes from ABDEH to ACEH (AO1, AO2).
- Activity C previously had a float time of 2 months and so the delay to C means that the earliest start time for activities E, F and G is now 19 months rather than 15 (AO1, AO2).
- The project is likely to be delayed by a total of 4 months which will mean it cannot be screened as scheduled for 19 months (AO2, AO3).
- According to the data provided, the deal will affect subscriptions revenue with an expected loss of 45% of a revenue of \$350 million (AO2, AO3).
- With fewer subscribers, advertising revenue could also be adversely affected which would further reduce the level of sales revenue (AO2, AO3).
- The network diagram can only ever represent an estimate of how long each activity within the project may take and may be an over or under-estimate and therefore the impact may not be a 45% fall (AO2, AO4).
- A production director has suggested more resources could be used. This may mean that some of the activities can be sped up and therefore the impact of the delay offset (AO1, AO2, AO3).

Evaluation

- There is a risk of a loss of a fall of 45% of subscriptions revenue but this depends on the accuracy of the data and whether mitigating actions can be taken to reduce the effect. The estimate was made by a finance assistant. This may call into question the reliability of the data provided. The person is from finance and seems relatively junior therefore may not have full insight into the operational processes involved (AO2, AO4).
- Given the scale of the potential impact of delays on revenue, it may be decided to reduce the amount of time devoted to any of the activities on the critical path, for example, less editing in post-production if the impact on product quality will have a lesser impact on revenue earnings than would be caused by failing to meet the production completion schedule (AO2, AO4).
- In the long term, the impact will depend on the quality of the show; if it is good, then even with the delay, new revenue can be generated from re-runs and a new series in which case this loss may seem less significant (AO2, AO4).

Credit all relevant knowledge, understanding, application, analysis and evaluation.

0	2	.	5
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Evaluate **two** ways Netflix could increase employees' motivation and recommend which **one** it should choose.

[15 marks]**AO1 = 3, AO2 = 3, AO3 = 4, AO4 = 5****Demands of the question**

- to demonstrate knowledge and understanding of ways to motivate employees (AO1)
- to apply this knowledge and understanding to the context of Netflix (AO2)
- to analyse two ways of improving employees' motivation (AO3)
- to evaluate two ways for Netflix to increase employees' motivation and recommend the best way (AO4).

Markers' guidance

- A Level 5 response must make a well supported recommendation making clear how this will increase motivation and why it is better than the alternative.
- Allow any ways of motivating.
- The overall judgement will depend on the ways of motivating selected. The judgment may be qualified, for example 'it depends on'.

Indicative content**Remote working**

- Remote working refers to a work arrangement where employees perform their job duties outside of a traditional office setting. This may appeal to some employees increasing their motivation (AO1).
- Nowadays, many employees want or expect some form of remote working (AO1). Allowing more flexibility in this respect may allow workers to reduce commuting times and save money on transport which can be powerful influences on lifestyles. At the moment, relatively few do remote working at Netflix so an increase in the opportunities for this could be seen as a motivating factor (AO2, AO3).
- If staff are given a choice over remote working, some may feel that they have more autonomy and Maslow might view this as being a very high-level motivator, potentially affording self-actualisation, especially as the company gives significant task flexibility over how employees decide what and how they should work (sophisticated concept) (AO1). This would fit with the culture at Netflix (AO2). This may provide a powerful boost to activating significant improvements in employee relations and overall levels of intrinsic motivation (AO3).
- Netflix relies on the ideas and originality of its employees and not having them work together face to face could jeopardise communication between staff which plays a crucial role in motivating human beings (AO1, AO2). Remote working may lead to less interaction and less sharing of ideas and therefore less motivation for those involved (AO3).

Share ownership

- Share ownership can improve employee engagement and motivation where employees believe they are sharing in the company's long-term success as part owners (AO1).
- Employees who own shares are likely to experience more of a sense of connection to the organisation as they have a stake in its ownership. This may contribute to them feeling part of the company and increase the feeling of belonging which Maslow suggests can be motivational (sophisticated concept) (AO1, AO3). Share ownership can be appreciated by employees as their wealth increases, for example when the share price of Netflix rose 2020 to end of 2021. Therefore, share ownership can act as a financial motivator for staff, but has the benefit of not affecting cash-flow or profits directly (AO2, AO3).
- In 2022, the share price fell significantly and so the motivational impacts of share ownership may be significantly affected at such times and may also cast doubt in employees' minds over the benefit of

future share awards. Additionally, the company is yet to pay a dividend and so any benefit to employees may be either very long-term (and therefore dissociated from current personal input) in the form of future dividends, or simply 'one-off' if they choose to sell their shares (AO2, AO3).

Training

- Employees might benefit from training as this increases their skills. This might give them a greater sense of job security because they feel they can do their jobs well and not be an underperformer. There may also be more job security as technology is changing so fast that employees may value training to keep their skills relevant in this sector (AO1, AO2). Training might also give some sense of recognition of them as individuals needing support rather than simply being asked to leave if performance is not high. This may motivate people who feel they are noticed (AO1, AO3).
- Training can be motivating in itself as people feel a sense of self development and potentially Maslow's self-actualisation (sophisticated concept) (AO1, AO2). With more training Netflix can enrich someone's job by making it include a wider range of fulfilling tasks and therefore giving people a sense of development which can be motivating (AO3). Training does cost money, and Netflix may be concerned that this could lead to people gaining training but then leaving. This would involve a loss of the investment made. (AO1, AO2, AO3). However, Netflix seems to value talent and pays the top rates so this may not be an issue (AO4).

Possible links to sophisticated concepts include:

Use of motivation theorists: Maslow's hierarchy of needs and Herzberg's two factor theory.

Evaluation

- Remote working may improve motivation if employees value more freedom over where as well as how they choose to fulfil their responsibilities. It may allow reduced costs if the fixed costs of office space can eventually be reduced; however, the extent to which it might increase costs of monitoring or cause drop-offs in quality or output are more difficult to ascertain. It could also be viewed as attempting to avoid demotivating staff rather than choosing an option because it will necessarily be seen as a motivator (AO4).
- Share ownership may have continuing benefits as shares can be awarded and so contribute to ongoing motivation, in a way that one-off measures such as allowing staff to work remotely may not be able to, because once staff become accustomed to such a 'benefit' it may become a simple expectation rather than a clear motivator (AO4).
- Training may enable even more empowerment, job enrichment and provide a greater sense of job security as it helps people to become better performers. It is an investment, and the motivating impact will depend on who gets what training opportunities and the extent to which this meets their needs (AO4).

Credit all relevant knowledge, understanding, application, analysis and evaluation.